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By email only to: info@pensionscamsindustrygroup.org.uk

Dear Pension Scams Industry Group

Response to Pension Scams Industry Group Consultation – Evolution or Extinction?

LCP is a firm of financial, actuarial, and business consultants, specialising in pensions, investment, insurance, energy, health and business analytics. We have around 1,100 people in the UK, including 170 partners and over 300 qualified actuaries.

The provision of actuarial, investment, covenant, governance, pensions administration, benefits advice, and directly related services, is our core business. About 80% of our work is advising trustees and employers on all aspects of their pension arrangements, whether DB or DC, including investment strategy. The remaining 20% relates to insurance consulting, energy, health and business analytics.

LCP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.

Introduction and summary

We welcome the opportunity to comment on the consultation to help the Pension Scams Industry Group (PSIG) better understand the views of stakeholders as to the value it provides, as well as the potential and possibilities for its future direction.

As we explain in our response, LCP and our clients currently get some value from PSIG, particularly through the PSIG guidance and the sharing of information through the Pension Scams Industry Forum (PSIF). We would like to see these benefits continue and, in our response, we question whether another industry body can take these on. If it is not possible for another industry body to take them on, and if PSIG is to continue, there is in our view some work to be done before an industry funding model could be considered. This would include improved governance and transparency, improved self-promotion, and possibly widening the remit so that a greater number of market participants can directly see the value PSIG provides to them. For LCP, whilst we appreciate the work that PSIG does, the value to us in retaining PSIG in its current form is not enough for us to consider a meaningful financial contribution towards PSIG.

Our answers to your specific questions follow below.

Part one - Value

Section one – Code of Good Practice

Question one – Do you use the PSIG Code of Good Practice as part of your transfer due diligence processes?

We have been following the Code and updates to it for some years, incorporating it into our procedures and member communications where it is clearly aligned with the law. We recognise that featuring the Code in transfer procedures is an industry standard and that it can provide trustees some comfort to know that their administrator follows the Code.

We would point out that when legislation and codes differ, to minimise the risk of non-compliance and in the interests of clients and their members, we would choose to rely on the legislation. The approach to ‘overseas investments’ set out in the Code is an example of this.

Question two - Does the PSIG Code of Good Practice add value to your business proposition?

The value of the Code for our business is some additional credibility for our transfer service and generally helps to demonstrate that we believe in delivering a quality service.

Applying the Code can give assurance for existing and prospective clients that for a part of our service we are following an ‘industry standard’ that is deemed to be compliant and helps to combat scams.

Question three – What improvements could be made to the PSIG Code of Good Practice?

On occasion, there is a disparity between PSIG’s guidance and what the law says rather than what the law was ‘intended’ to do. This makes it difficult to apply the Code as it is and our approach is to follow the law, in the interests of our clients and their members. This can lead to situations where members, advisers, clients, and other pension providers question why an intended approach outlined in the Code isn’t being followed, which can result in protracted communications.

Question four – Do you have any other comments on the PSIG Code of Good Practice, other than in relation to technical content?

It would be more helpful for the industry and members if updates could be turned around quicker. PSIG could consider alternative, less time-consuming ways of issuing updates.

Looking to the longer term, if the Code is to remain current, the Code will need to be maintained and updated as and when legislation changes, whether that is by PSIG or it is adopted by another industry body. If the Code goes out of circulation:

- the industry will no longer have a ‘standard’ basis for administration procedures.
- without a replacement benchmark (which would take time to develop), trustees and administrators will have to set their own courses, potentially resulting in further inconsistent treatment of transfer requests.
- financial advisers will have to deal with different approaches which could slow transactions down; members could also be frustrated by different approaches if they were aiming to combine pension savings.
- over time, the strength of providers’ due diligence could suffer without a benchmark to refer to.

Section two – Pension Scams Industry Forum

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| <p>Question five – Do you participate in in the Pension Scams Industry Forum?</p> |
| <p>Yes, we do, every month.</p> |
| <p>Question six – If you participate in the Pension Scams Industry Forum, does this add value to your business proposition?</p> |
| <p>It is a useful arena and safe environment to informally discuss IFAs and schemes that we should be aware of.</p> <p>What we can learn at an early stage from the Forum can add to our due diligence and intelligence. For example, if we know that several participants are having the same experience of an adviser or scheme, this indicates that any concerns about the same adviser or scheme are not isolated to the case/s we are dealing with.</p> <p>Our perception is that some clients are reassured that as part of our due diligence approach, we have this access to industry-wide experience.</p> <p>It is also reassuring for us to hear through conversations at the forum that we are not out of line with the rest of the industry in an approach or view we may take. Currently, there is no other obvious way of hearing about adviser/scheme activity that could indicate a potential scam.</p> |
| <p>Question seven – What improvements could be made to the Pension Scams Industry Forum?</p> |
| <p>The roundtable format is attended by more than a hundred individuals, so it is not the ideal setting for any significant discussion. Intelligence that has already been shared at previous meetings can be repeated by new attendees so we would recommend considering a format that would avoid that and generally allow better use of the time.</p> <p>In terms of information that is available, we understand that PSIF has access to a list of ‘HMRC responses’ to enquiries about schemes’ registered status. It could add value if PSIG could find a way to share this, though we acknowledge this would have to be done with care.</p> <p>In addition to the online meetings, PSIG/PSIF could consider an online group chat area on the PSIG site, where participants could raise queries with each other, with suitable caveats that make it clear that PSIG/PSIF takes no responsibility for what is said. An example of a discussion area of this kind is the Discussion Zone run by Aries for its members.</p> |
| <p>Question eight – Do you have any other comments on the Pension Scams Industry Forum?</p> |
| <p>We recognise that improvements may not be quick or simple to make but believe that it is important an effort is made to investigate ways to make them or the desired outcome possible, whether the PSIF function continues under PSIG or is adopted by another industry body.</p> <p>The solution need not lie entirely with PSIF. For example, if HMRC could find another way to advise on a scheme’s status instead of ‘privately’ responding to individual requests.</p> <p>Something for PSIF to consider is the sharing of information about overseas schemes or advisers, including whether any parties lose any authorisation to operate in their own country.</p> |

Section three – Pension Scams Action Group (PSAG)

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| Question nine – Are you aware of PSIG’s participation in the Pension Scams Action Group? |
| We are aware that there is a connection but do not know more than that, so a higher profile and regular communication of that work could be beneficial. |
| Question ten – Do you have any comments on PSIG’s participation in the Pension Scams Action Group? |
| More about its participation could be publicised. |

Section four – Raising scam awareness

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| Question eleven – Are you aware of the work undertaken by PSIG to increase awareness of pension scams? |
| We hear about it occasionally beyond the usual pensions industry press, for example a BBC news appearance / radio mention and through LinkedIn. Overall, though, it has a low profile in our experience when considering the impact it has on reaching those not working in the pensions industry. |
| Question twelve – Should PSIG increase, reduce or stop working to increase awareness of pension scams? |
| <p>There’s more that could be done, either by PSIG or another appropriate body. A big piece of the jigsaw that is missing is general member education put in ‘plain English’ in a member-friendly way of communicating. This needs to be a constant, ‘daily’ occurrence not a one-off campaign or linked to specific member events (e.g. transfers) but awareness development to make it second-nature for members to stop and think not just about the horror of being scammed, but the tax consequences which add insult to injury.</p> <p>In an ideal world, this should be done by regulators or a government department. PSIG could work more closely with and advise them, using examples of cases where scams have happened and been averted. PSIG has a helpful viewpoint from which it could present a picture of a complete scam cycle.</p> |

Section five – Industry Surveys

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| Question thirteen – What should any periodic PSIG report contain? |
| <ul style="list-style-type: none"> • Industry experience in transfer delays, causes of delays and the frequency of amber and red flags identified broken down by flag type. • Separate DB and DC experience to get clearer results for each, as large DC scheme data can affect and skew the overall view for all schemes and the result is not representative of schemes where benefits are predominantly DB. • QROPs transfer scams are hard to identify – more information on these could be useful. • More immediate feedback on progress of cases that are reported as scams – perhaps through PSIG’s links with Action Fraud. A way to do this could be developed. • More transparency and sharing of cross industry collaboration and intelligence. |

Section six – Sharing Legislative & Regulatory Expertise

Question fourteen – How can PSIG most effectively share legislative and regulatory expertise?

PSIG's website could usefully be more active and interactive, notwithstanding any widening of its scope. This, combined with a monthly newsletter, news about new developments, links with other industry bodies, government agencies and upcoming campaigns could bring PSIG's profile up to the level of other industry groups.

Another benefit of developing the website is that it could become a 'one stop shop' on pension scams at the least, hosting up to date news (including any relevant materials released by industry and governing bodies impacting scam prevention procedures), a members' discussion area, news about joint work with bodies that it partners with, frequently asked questions and potentially an 'ask the expert' facility. The two latter suggestions could be helpful when, for example, there is uncertainty or PSIG is in a lengthy process of updating the Code.

We know that PSIG has a good relationship with the DWP and we would encourage PSIG to continue to maintain that relationship, especially pending the review of the Conditions for Transfer Regulations 2021.

Question fifteen – Which methods of knowledge sharing would you use?

Online, forums, MS Teams, etc could be a faster way to share this and PSIG members could share their views (presented as theirs and not PSIG's) via a discussion zone as mentioned under our response to question seven.

Question sixteen – Should PSIG be members of relevant industry bodies?

We don't think this is necessary in its current form, though it is important to be in touch with the rest of the industry which can be achieved if PSIG's own members have appropriate access to each other. For the future, the answer depends on the structure and objectives that PSIG might adopt.

Section seven – Victim Support

Question seventeen - What should PSIG be doing to support pension scam victims?

As this relates to victims after the event, who will be dealing with the shock of being scammed, a practical and user friendly guide on how to report a scam and explain what could happen next, for instance warning them about the tax liability, signposting to sources of practical help and immediate actions they should take to prevent further scams etc could be something for PSIG to produce. This would just be an extension of sharing what we in the industry know should happen, with members, who may well not be aware of what happens next.

PSIG or its alternative, could also work with MoneyHelper to help them provide support to scam victims.

Beyond this, we think that how much PSIG should be doing to help victims – either as a general population or on an individual basis - will depend on what the demand is for PSIG to expand its scope and whether it should be PSIG or a government sponsored body or a consumer action group. As pensions administrators and consultants, we would not expect PSIG to do any more than stated above and do not perceive any benefit to our practices for managing the risks of pension scams, should it be decided that more could be done by PSIG to support victims.

Section eight – Anything else

Question eighteen – Is there anything else which PSIG should be more involved with?

We question how a kite mark for good practice scams protection would add value alongside the TPR Pledge? The kite mark idea would have to stretch to FCA regulated schemes – it's hard to see how that could be introduced outside the FCA framework. Presumably to maintain a kite mark would require annual renewal, drawing on resources for questionable gain for the industry or benefit to members.

More member education would be helpful, including highlighting experiences of victims which would be an effective way to raise individual awareness of the risks. However, this could be done by government.

Section nine – Winding up

Question nineteen – Should PSIG wind up?

The work that PSIG does is still relevant and developments in legislation or industry practice will highlight its purpose. Output such as its Code of Good Practice has given much of the industry a foundation to build stronger due diligence procedures. Our view, as already stated, is that there is more that could potentially be done.

The future of PSIG will be influenced by this consultation, but we think it is worth asking the question: if PSIG wound up, could PASA, the PLSA or TPR continue any of PSIG's work and shouldn't this be investigated before any decisions are made? A natural extension of PSIG's scope would be to include pension scam risks other than those on transfer, but at retirement as well, for instance. This point should be included in this review.

If PSIG winds up, that should not mean that its work is discontinued, so an alternative/s need to be considered, as well as how to make a seamless transition and that could lead to a review of the scope of scams related work by the alternative/s.

Question twenty – If PSIG wound up, what would be the impact (if any) on pension scheme members?

There would be a loss of a voice from the industry to lobby the government unless another group or body took that on.

If PSIG's work did not continue and we could no longer use the PSIG Code as it would go out of date and there was no replacement guidance, we and other administrators would develop our own procedures independently. Whilst that would enable us to manage the risks of scam transfers as we saw fit, the robustness of procedures could vary between schemes/providers. It could also affect the member experience, perhaps cause delays and this could be noticeable to them and their advisers if they were consolidating benefits from more than one arrangement.

and pension practitioners?

If and when legislation is amended, without PSIG and a current Code, we would develop and rely on our own approach, but in isolation. The Code is currently maintained by a cross section of pensions practitioners who belong to PSIG and this overall gives us a more considered interpretation of the legislation to take into account. This may also aid the Pensions Ombudsman in coming to any decision whenever a pension scams related dispute arises, as the Code provides a general industry consensus on what 'best practice' and process looks like.

PSIF is part of PSIG and the loss of that forum, unless an alternative group continues it, would mean we would not be able to share or learn of any concerns as and when they happen. Scams that are successful can take years to come to light and currently PSIF is a useful way to get early warning.

Part Two – Funding

We understand that PSIG is likely to require funding to continue and develop its work.

We would like to see the core benefits of PSIG (guidance and forum) continue. We suggest it should be actively explored as to whether these can be taken on by other industry bodies, e.g. PASA, PLSA.

If it is not possible for another industry body to take them on, and if PSIG is to continue, there is in our view some work to be done before an industry funding model could be considered. This would include:

- improved governance and transparency, including appropriate set up as charity or other legal entity, with a board etc.
- improved and clearer statements about mission and purpose, possibly widening the remit (e.g. to consumer education and/or other financial products) and clarity about how PSIG interacts with other bodies who do work relating to scam protection and what PSIG brings that is unique.
- better self-promotion so that a greater number of market participants can directly see the value for them.

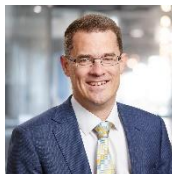
It seems to us that a clear plan for the above would need to be constructed, alongside a defined funding plan, before asking market participants whether they would be willing to participate in that plan.

For LCP, whilst we appreciate the work that PSIG does, the value in retaining PSIG in its current form is not enough for us to consider a meaningful financial contribution towards PSIG. And our work relating to scams is relatively narrow (mainly relating to DB pension benefits) so at this stage, we would be unlikely to participate in funding a revamped PSIG in any event.

We would be happy to answer any questions you may have about our response and if an informal discussion could be helpful, do get in touch with me using the contact information below.

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